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SUBJECT: TRACKING CHANGES IN TEXTILES AND APPAREL
EMPLOYMENT AND PRODUCTION AFTER QUOTA ELIMINATION - JORDAN

REF: STATE 184238

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1. (SBU) SUMMARY: The textiles and apparel sector continues to increase its share of Jordan's GDP, due largely to the contribution of Qualifying Industrial Zones (QIZs) and their duty-free, quota-free exports to the United States, which stood at USD 584 million in 2003. In 2002-2003, manufacturing employment dipped in Jordan after the Iraq war, due to the loss of Iraq trade protocol arrangements. Textile employment increased to almost a quarter of the manufacturing workforce, according to data based on a household survey used in Jordan. The best estimates available put the apparel workforce at 55,000 to 60,000 employees. The high absenteeism found in modern QIZ textile factories is evidence that the culture of "manufacturing employment" is still a new concept to many here, though Jordanians are catching on. The Government of Jordan (GOJ) leadership is attuned to the imminent challenge of apparel trade liberalization and loss of quotas in 2005, but is seeking to gain from FTA tariff advantages. END SUMMARY.

The Government Data

2. (U) In response to refotel request, following are data for calendar years 2002 and 2003 for Jordan, which benefits from a bilateral Free Trade Agreement and the QIZ arrangement under the U.S.-Israel FTA. (SOURCE: GOJ Department of Statistics; no FY02 and FY03 data are available.):

	2002	2003
A. Total industrial production (USD)	4.6 billion	5.0 billion
B. Total textile and apparel production (USD)	457 million*	532 million*
C. Item B/Item A (percentage)	10.0	10.7
D. Textile/apparel percentage share of:		
-- Imports	6.09	6.16
-- Exports	23.07	28.63
-- Re-Exports	4.40	2.03
E. Total manufacturing employment	218,389**	217,290**
F. Total textiles/apparel employment (percentage of all manufacturing jobs)	14.8	22.0
G. Nat'l Population	5,329,000	5,480,000

* NOTE: Jordan does not report accurate data on gross industrial outputs; the GOJ relies on incomplete self-reporting by factories. The textile/apparel number combines the (less accurate) reported gross output produced by factories for domestic consumption plus the (somewhat more accurate) export data. Both are based on total production input values.

** NOTE: The employment data are based on an unsophisticated household survey that tries to discern all economically active residents in Jordan and, among those, individuals employed in the manufacturing sector. The survey is conducted four times a year -- Feb, May, Aug, Nov -- and then combined to yield an "annual" composite. The composite includes sectoral employment data expressed as a percentage.

(COMMENT: Relevant GOJ offices do not have the necessary depth in human resources to collect and analyze employment data on a monthly basis. We believe that the household

survey data are a somewhat reliable, crude but consistent measure of general employment trends. END COMMENT.)

13. (U) QIZ factories are exporting to the U.S. garments with 8 percent Israeli content duty- and quota-free. More than 95 percent of QIZ factory output is in apparel, which constituted more than \$550 million in QIZ exports to the U.S. alone in 2003. QIZ apparel are shipped direct to an impressive list of buyers such as Macy's, Lee, Levi's, JC Penney, Walmart, Nordstrom's, and Gap. QIZ factories account for more than two thirds of all apparel workers in Jordan, by most estimates. The Ministry of Industry and Trade (MOIT) tracks the QIZ labor force, compiling data on total employees two times a year, based on interviews. The MOIT's QIZ labor force data follow:

	2002	2003	2004 (Aug)
QIZ Labor Force	24,243	28,639	31,190

(NOTE: These are totals of combined domestic and foreign workers at the end of the period, not averages. We cannot vouch for the thoroughness of the MOIT survey.)

Employment in QIZ Factories

14. (SBU) Post conducted its own up-to-date employment survey of QIZ factories which export to the U.S. Over a two-week period in September, we interviewed personnel managers at 59 QIZ garment companies, asking a series of questions about general employment. As QIZ factories employ workers from outside Jordan under 2-3 year contracts, we asked for those numbers, as well. Regarding machine operating line employees, we also asked the number of employees who reported to work that day. (NOTE: These QIZ factories have contracts to export direct to the U.S. Another roughly 30 subcontract QIZ factories have more widely fluctuating workforces.)

QIZ Factory Employment:

Management staff	1,297
Average annual line employees	32,223

Foreign line employees now	22,390
Jordanian line employees now	18,332
TOTAL line employees now	40,722

Employees who reported to work today	36,220
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It is notable that of 40,722 line employees, only 36,220 reported to work, yielding an absenteeism rate of 11 percent.

(COMMENT: Factory owners have noted to us the missing domestic workers, who intermittently go off to take care of family obligations such as harvesting olives or attending a wedding. These numbers are testimony to the anecdotal information that Jordan's formerly rural and largely tribal population is still learning to cope with the demands of modern industrial society. END COMMENT.)

Private Estimates of Textile/Apparel Workers

15. (U) The Association of Textile Workers reports there are 45,356 QIZ workers (both direct and subcontract factories) of which 23,581 are Jordanian. According to a textile union leader, there are an additional 10,000-15,000 apparel workers outside the QIZs, some in factories, but most in small production shops. Based on these reports, Jordan could have an estimated 55,000 to 60,000 apparel workers.

COMMENT

16. (SBU) The GOJ has a long way to go before it can adequately track either employment or production data. At the same time, the GOJ has focused strong resources on supporting the apparel sector in the quota-free QIZs and is working to capitalize on tariff-free benefits afforded by the FTA in some apparel categories. Tariffs in other major garment categories do not zero out until 2010 under the FTA. The GOJ requested tariff reduction acceleration for virtually all apparel categories during FTA Joint Committee talks last June.

17. (SBU) A National Committee formed by the MOIT has recommended training in the mid-term an additional 12,000 garment machine operators and another 700 middle managers and design/production planners. These would replace foreign workers as their contracts expired. The committee aims to reach USD 3 billion in garment exports by 2010 (this assumes FTA tariff reductions are accelerated) and a total workforce of 88,000. These are ambitious goals fueled by the tremendous success of the quota-free QIZs over the last five

years. Jordanian manufacturers at least have the momentum going in their direction, with experience in meeting commitments to a strong base of buyers. The Government of Jordan is doing all that it can to show investors from South and East Asia that they can continue to sell garments "Made in Jordan" to the U.S. market with the tariff reductions afforded by the FTA.

18. (SBU) It remains to be seen if Jordan's ambitious goals in the textiles and apparel industry can be met. At least until 2008, it is expected that growth will continue. Much will depend on the USG's response to Jordan's request for tariff reduction acceleration if growth is to be as rapid as it has been in the past few years.

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